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**UNITED STATES DISTRICT COURT**

**CENTRAL DISTRICT OF CALIFORNIA – WESTERN DIVISION**

SWEET PEOPLE APPAREL, INC.  
d/b/a MISS ME, a California  
corporation, et al.,

Plaintiffs,

v.

PHOENIX FIBERS, INC., an  
Arizona corporation, et al.,

Defendants.

Case No. 2:16-cv-00940-TJH-JC

Hon. Terry J. Hatter, Jr.

**DEFENDANT PHOENIX FIBERS,  
INC.'S NOTICE OF MOTION AND  
MOTION FOR SUMMARY  
JUDGMENT OR, IN THE  
ALTERNATIVE, PARTIAL  
SUMMARY JUDGMENT;  
MEMORANDUM IN SUPPORT  
THEREOF**

*[Statement of Uncontroverted Facts;  
Appendix of Evidence; [Proposed]  
Judgment and [Proposed] Order Filed  
Concurrently Herewith]*

Date: January 30, 2017  
Time: Under submission  
Location: Courtroom 9B  
First Street Courthouse

**TO THE HONORABLE COURT AND ALL PARTIES AND THEIR  
ATTORNEYS OF RECORD:**

**PLEASE TAKE NOTICE** that on January 30, 2017, or as soon thereafter as this matter may be heard, in Courtroom 9B of the First Street Courthouse, located at 350 W. 1st Street, 9th Floor, Los Angeles, California 90012, Defendant Phoenix Fibers, Inc. ("Phoenix Fibers") shall and hereby does move, pursuant to Federal Rule of Civil Procedure 56 and all other applicable law, for an order granting its Motion for Summary Judgment or, in the Alternative, Motion for Summary Judgment as to Plaintiffs Sweet People Apparel, Inc. and RCRV, Inc.'s (collectively, "Defendants") Claims as follows:

1. For summary judgment in favor of Phoenix Fibers; or
2. Alternatively, if for any reason summary judgment cannot be had, for an order granting partial summary judgment as to the following claims and issues in this action, or any of them, in favor of Phoenix Fibers:
  - a. Plaintiffs' First Claim for breach of contract fails because a contract between Plaintiffs and Phoenix Fibers never existed.
  - b. Plaintiffs' First Claim for breach of contract fails because a contract between Plaintiffs and Phoenix Fibers never existed that required Phoenix Fibers to destroy all items donated by Plaintiffs and, as a result Phoenix Fibers did not breach any contract by failing to destroy items donated by Plaintiffs.
  - c. Plaintiffs' First Claim for breach of contract fails because a contract between Plaintiffs and Phoenix Fibers never existed that required Phoenix Fibers to destroy any items donated by Plaintiffs and, as a result Phoenix Fibers did not breach any contract by failing to destroy items donated by Plaintiffs.

- d. Plaintiffs First Claim for breach of contract fails because, to the extent a contract existed, it is invalid and void due to mutual mistake.
- e. RCRV's First Claim for breach of contract fails because RCRV was not a party to any discussion, conversation, or e-mail that Plaintiffs claim formed the purported contract.
- f. Plaintiffs' Second Claim for trademark infringement fails because Phoenix Fibers' alleged use of the asserted trademarks was not likely to cause confusion, cause mistake, or to deceive.
- g. Plaintiffs' Second Claim for trademark infringement fails due to the first sale doctrine.
- h. Plaintiffs' Third Claim for false designation of origin fails because Phoenix Fibers' alleged use of the asserted trademarks was not likely to cause confusion, cause mistake, or to deceive.
- i. Plaintiffs' Third Claim for false designation of origin fails due to the first sale doctrine.
- j. Plaintiffs' Fourth Claim for statutory unfair competition fails because it is founded on Plaintiffs' other claims, which fail.
- k. Plaintiffs' Fifth Claim for dilution fails due to the first sale doctrine.
- l. Plaintiffs' Sixth Claim for common law trademark infringement and unfair competition fails because Phoenix Fibers' alleged use of the asserted trademarks was not likely to cause confusion, cause mistake, or to deceive.
- m. Plaintiffs' Sixth Claim for common law trademark infringement and unfair competition fails due to the first sale doctrine.

1 n. Plaintiffs' claim that Phoenix Fibers is jointly and severally liable  
2 for disgorgement of the other defendants' profits as to any claim  
3 fails.

4 o. Plaintiffs' claim for punitive damages fails.

5 This Motion is based upon this Notice of Motion, the accompanying  
6 Memorandum of Points of Authorities attached hereto, the Statement of  
7 Uncontroverted Facts, the Appendix of Evidence, [Proposed] Judgment and  
8 [Proposed] Order filed concurrently herewith, and such other evidence and  
9 argument as the Court deems fit and proper to consider under the law. This motion  
10 is made following the conference of counsel pursuant to Local Rule 7-3 which took  
11 place on December 16 and 23, 2016.

12  
13 DATED: December 30, 2016

HAYNES AND BOONE, LLP

14  
15 By: /s/ Kenneth G. Parker  
16 Kenneth G. Parker  
17 Attorneys for Defendant  
18 Phoenix Fibers, Inc.  
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1 **I. INTRODUCTION**

2 Sweet People Apparel, Inc. (“Sweet People”) and RCRV, Inc. (“RCRV”)<sup>1</sup>  
 3 have filed suit against Phoenix Fibers, Inc. (“Phoenix Fibers”) for breach of  
 4 contract and a myriad of trademark-based claims. Plaintiffs have failed to produce  
 5 facts that either establish a contract or that a contract containing terms that were  
 6 breached. Moreover, Phoenix Fibers’ later sale of some of the donated products  
 7 never caused confusion and Plaintiffs’ claims are barred by the first sale doctrine.  
 8 For these reasons, and the others stated below, summary judgment is proper.

9 Phoenix Fibers is a clothing and textile recycling company formed in 2011.  
 10 In the clothing and textile recycling industry, the term “recycle” simply means to  
 11 reuse. Thus, Phoenix Fibers engages in three types of clothing and textile  
 12 recycling. Phoenix Fibers (1) accepts donations of clothing that it then sells as  
 13 “credential” (an industry term that means clothes or other items sold in bulk by the  
 14 pound); (2) accepts donations of clothing, turns it into shoddy or filler fiber, and  
 15 then sells the fiber to companies that use the fiber for various purposes (e.g., for  
 16 housing insulation); and (3) *for a fee*, destroys certain clothing items and produces  
 17 a certificate to the customer or other documentation.

18 In 2011, a human resources manager from Sweet People contacted Phoenix  
 19 Fibers to coordinate donations that Sweet People wanted to make to Phoenix  
 20 Fibers. Between 2011 and 2015, both Plaintiffs donated items to Phoenix Fibers.  
 21 Except for items that were later reclaimed by Plaintiffs, Phoenix Fibers recycled all  
 22 of the donated items. Some of these donated items were turned into shoddy fiber  
 23 and some of them were sold, as is common and proper in the clothing and textile  
 24 recycling industry, as credential, by the pound and in bulk, to another recycling  
 25 company, Defendant U.S. General Export, Inc. (“U.S. General”). Plaintiffs allege  
 26 that some of the products donated to Phoenix Fibers ended up being sold by  
 27 internet retailers.

28 \_\_\_\_\_  
<sup>1</sup> Sweet People and RCRV are collectively referred to as the “Plaintiffs.”

1 Plaintiffs allege that somehow a contract between both Plaintiffs and  
2 Phoenix Fibers was formed in 2011 (the “Alleged Contract”), and that the Alleged  
3 Contract required destruction of items donated by Plaintiffs. However, even the  
4 Sweet People human resources manager that purportedly entered into the Alleged  
5 Contract with Phoenix Fibers, Lisa Song, has testified that she never formed a  
6 “specific agreement” with Phoenix Fibers. Moreover, to the extent that the  
7 Alleged Contract does exist, it never obligated Phoenix Fibers to destroy items  
8 donated by Plaintiffs, it is invalid, and RCRV is not a party to it.

9 Also, despite the fact that Plaintiffs *donated* items to Phoenix Fibers  
10 unencumbered, Plaintiffs allege a host of trademark-based claims. These claims  
11 are also subject to summary judgment. First, Plaintiffs cannot prove that Phoenix  
12 Fibers’ sale of donated items to U.S. General was likely to cause confusion. In  
13 fact, U.S. General knew exactly what they were buying, and Plaintiffs’ 30(b)(6)  
14 witness admits as much. Second, Plaintiffs’ trademark claims are barred by the  
15 first sale doctrine. After Phoenix Fibers became the rightful owner of the items  
16 donated by Plaintiffs, it was free to do with them as it wished. Phoenix Fibers’  
17 choosing to recycle the donated items by selling them as credential to U.S. General  
18 is not a violation of any intellectual property law.

19 Plaintiffs also believe that Phoenix Fibers is jointly and severally liable for  
20 disgorgement of *all* the profits of *every* defendant, that Plaintiffs are entitled to  
21 punitive damages, and that Phoenix Fibers violated California’s statutory unfair  
22 completion law. The case law and the facts say otherwise.

23 Given the undisputed facts in this case, Plaintiffs’ six causes of action  
24 against Phoenix Fibers cannot succeed as a matter of law. Phoenix Fibers  
25 therefore requests that the Court grant this Motion for Summary Judgment or, in  
26 the alternative, Partial Summary Judgment.

1 **II. BACKGROUND**

2 **A. Phoenix Fibers, along with the rest of the clothing and textile**  
 3 **recycling industry, provides a service of substantial importance**

4 Phoenix Fibers is an Arizona-based clothing and textile recycling company  
 5 that was founded in July 2011. (Statement of Uncontroverted Facts (“SUF”) 1.)  
 6 Phoenix Fibers only provides recycling services. (SUF 2-5.) In the context of the  
 7 clothing and textile recycling industry, the word “recycle” simply means to reuse.  
 8 (SUF 2-4.) And, any means of reusing clothes is considered to be recycling them.  
 9 (SUF 2-4.) For example, in the clothing and textile recycling industry, one  
 10 common way of recycling clothes is by reusing or reselling them. (SUF 2-4.) This  
 11 often happens through consignment and other second-hand clothing stores, like  
 12 Buffalo Exchange. (SUF 3.) Another means of recycling clothing and textiles is  
 13 to sell the clothes and scrap textiles as “credential,” which simply means the  
 14 selling of clothes in bulk and by the pound (as opposed to by the item). (SUF 2.)  
 15 A third way of recycling clothing and textiles is to turn them into something else  
 16 entirely (e.g. shoddy fiber). (SUF 4.)

17 Phoenix Fibers’ business consists of three recycling components. (SUF 5.)  
 18 First, Phoenix Fibers accepts donations of clothing and other textile that it then  
 19 sells, by the pound and in bulk, as credential. (SUF 5.) Second, Phoenix Fibers  
 20 accepts donations of clothing and scrap material, turns that material into shoddy or  
 21 filler fiber through a proprietary shredding process, and then sells it to companies  
 22 that use this fiber for various purposes (e.g., for housing insulation, automotive  
 23 insulation, and punching bag filler). (SUF 5.) Third, *for a fee*, Phoenix Fibers will  
 24 agree to destroy certain clothing items, after which it provides a certificate of  
 25 destruction to the customer. (SUF 5.) As explained on Phoenix Fibers’ website,  
 26 “Phoenix Fibers collects and recycles textiles in a variety of ways. We maintain a  
 27 zero waste philosophy whenever feasible. The items we do not use in our  
 28 shredding process are resold to other recycling companies.” (SUF 25.)

1           **B.     Sweet People and RCRV**

2           Sweet People and RCRV are denim and apparel companies that each sell,  
3 among other things, jeanswear. (SUF 10-11, 16-18.) Despite being affiliated  
4 companies, Sweet People and RCRV are distinct. (SUF 16-21.) While Sweet  
5 People sells certain products under the Miss Me brand name, RCRV sells products  
6 under the Rock Revival brand name. (SUF 10, 17.)

7           Lisa Song was employed by Sweet People, but not RCRV, from sometime in  
8 2009 until February 2014. (SUF 21-23.) She worked as a human resource  
9 manager during her entire tenure at Sweet People. (SUF 12.) Meanwhile, Lily  
10 Kim is the General Counsel for both Sweet People and RCRV, and has held those  
11 positions since 2010. (SUF 13, 19.)

12           **C.     The Interaction Between Plaintiffs and Phoenix Fibers**

13           In 2011, Ms. Song, the human resources manager, at the direction of Ms.  
14 Kim, called Phoenix Fibers to coordinate some denim donations for recycling.  
15 (SUF 26, 28, 53-54.) Ms. Song coordinated with then Phoenix Fibers employee,  
16 Matt Graham, apparently via telephonic conversations and e-mail. (SUF 26, 28,  
17 53-54.) Ms. Song reported to Ms. Kim with respect to arranging the denim  
18 donations. (SUF 41.) Importantly, *Ms. Kim* never spoke to Mr. Graham and, in  
19 fact, did not speak to anyone from Phoenix Fibers until October 2015. (SUF 31-  
20 32.) Ms. Song, the only person that coordinated the donation of denim to Phoenix  
21 Fibers, cannot recall whether, based on the conversations she had with Mr.  
22 Graham, a contract was formed between Phoenix Fibers and Plaintiffs. (SUF 36.)  
23 And, Ms. Song does not recall any communications between herself and Mr.  
24 Graham where Mr. Graham agreed, on behalf of Phoenix Fibers, to destroy any  
25 (much less, all) material donated to Phoenix Fibers by Plaintiffs. (SUF 37-38.)  
26 Moreover, leading up to Plaintiffs' first shipment of denim donations, Ms. Song  
27 never reported to Ms. Kim that Phoenix Fibers had agreed to destroy any (much  
28 less, all) material donated to Phoenix Fibers by Plaintiffs. (SUF 42.) As Ms. Kim



1 put it, “I don’t know if the word ‘destroyed’ was used in the verbal discussions”  
2 between Ms. Song and Mr. Graham.” (SUF 40.) Further, all that *Ms. Song* did  
3 recall was that the alleged “understanding,” whatever it was, was in place on or  
4 before November 7, 2011, well before the first shipment. (SUF 29, 47-48.)

5 Nonetheless, following the conversations between Ms. Song and Mr.  
6 Graham, Sweet People and RCRV began donating denim to Phoenix Fibers. (SUF  
7 53-54.) Some of the material donated to Phoenix Fibers by Plaintiffs was Miss Me  
8 and Rock Revival brand clothing. (SUF 53-54.) However, damaged or defective  
9 items that Plaintiffs donated to Phoenix Fibers were marked as either damaged or  
10 defective. (SUF 55.) Plaintiffs continued making donations until 2015. (SUF 69;  
11 Dkt. 34.)

#### 12 **D. Post-donation recycling**

13 Some of the items donated by Plaintiffs were turned into shoddy fiber. (SUF  
14 59.) However, in 2015, Phoenix Fibers began selling certain material donated by  
15 Plaintiffs, along with materials donated by other companies, to U.S. General, a  
16 recycling company. (SUF 59.) Phoenix Fibers always sold material to U.S.  
17 General as credential, in bulk and by the pound. (SUF 58, 61-62.) Kamel Mroueh  
18 was the representative from U.S. General with whom Phoenix Fibers employees,  
19 primarily Steven Johnson, communicated to facilitate the sale of credential. (SUF  
20 60.) U.S. General, through Mr. Mroueh, only purchased credential from Phoenix  
21 Fibers at Phoenix Fibers’ warehouse. (SUF 61.) Mr. Mroueh never inquired into  
22 which brands of credential Phoenix Fibers had in its warehouse, nor did Mr.  
23 Mroueh ever state that he was interested in certain brands of credential. (SUF 61.)  
24 U.S. General paid the market rate for credential for all items it purchased from  
25 Phoenix Fibers, which was approximately 30¢ to 60¢ per pound. (SUF 62.) U.S.  
26 General never paid a premium for credential that included Sweet People or Rock  
27 Revival donated material. (SUF 62.)  
28

1 On October 27, 2015, Ms. Kim contacted Tod Kean, an owner of Phoenix  
 2 Fibers, to complain about certain Miss Me and Rock Revival denim that was being  
 3 sold on eBay. (SUF 67.) From that point on, Phoenix Fibers never sold any  
 4 products that Plaintiffs donated to Phoenix Fibers as credential to anyone. (SUF  
 5 67.) And, in December 2015, with the cooperation of Phoenix Fibers, Plaintiffs  
 6 removed all the remaining products, totaling no less than 130,000 pounds, that they  
 7 had previously donated to Phoenix Fibers from Phoenix Fibers' warehouse. (SUF  
 8 69.)

9 **E. Plaintiffs' allegations**

10 Plaintiffs allege that they entered into a non-written contract with Phoenix  
 11 Fibers (the "Alleged Contract") before November 7, 2011. (SUF 26, 29.)  
 12 According to Plaintiffs' 30(b)(6) witness, Ms. Kim, who never spoke with Mr.  
 13 Graham, the Alleged Contract obligated Phoenix Fibers to recycle and destroy all  
 14 items donated to Phoenix Fibers by Plaintiffs. (SUF 31-32.) Further, Ms. Kim, as  
 15 Plaintiffs' corporate designee, testified that Plaintiffs believed that recycling and  
 16 destruction are synonymous in the context of clothing. (SUF 46.)

17 Plaintiffs assert that, after the purported formation of the Alleged Contract,  
 18 Plaintiffs and Phoenix Fibers entered into a series of other contracts, the terms of  
 19 which pertained *only to the shipment* of the items that Plaintiffs would donate to  
 20 Phoenix Fibers pursuant to the Alleged Contract (the "Shipment Contracts").  
 21 (SUF 49.) Plaintiffs allege that the Shipment Contracts, which only governed the  
 22 *terms of the shipment*, were negotiated by numerous individuals, including Ms.  
 23 Kim and Plaintiffs' warehouse manager, Felipe Salgado, on behalf of Plaintiffs,  
 24 and Mr. Graham and Mr. Johnson, on behalf of Phoenix Fibers. (SUF 49.)

25 On February 10, 2016, Plaintiffs filed a Complaint in this Court against  
 26 Phoenix Fibers, and others, for breach of contract and various trademark related  
 27 claims. (Dkt. 1). Plaintiffs amended their Complaint on May 18, 2016, to add  
 28



certain defendants. (Dkt. 32). Phoenix Fibers now moves for summary judgment or, in the alternative, partial summary judgment.

### **III. LEGAL STANDARD**

A district court shall grant summary judgment if the movant shows there is no genuine dispute on any material fact and the movant is entitled to judgment as a matter of law. Fed. R. Civ. P. 56. Further, if the record lacks evidence supporting any essential element of a claim, summary judgment should be granted on that claim. *Celotex Corp. v. Catrett*, 477 U.S. 317, 322–25 (1986). As the United States Supreme Court explained, where a party fails to make a showing of sufficient evidence to establish a claim, “there can be ‘no genuine issue as to any material fact,’ since a complete failure of proof concerning an essential element of the nonmoving party’s case necessarily renders all other facts immaterial.” *Id.* at 323. On a motion for summary judgment, the Court must view the evidence through the prism of the substantive evidentiary burden. *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 254 (1986).

An issue of fact is “material” if, under the substantive law of the case, resolution of the factual dispute might affect the outcome of the claim. *Anderson*, 477 U.S. at 248. Factual disputes are genuine only if they “properly can be resolved in favor of either party.” *Id.* at 250. “If the evidence is merely colorable, or is not significantly probative, summary judgment may be granted.” *Id.* at 249–50 (internal citations omitted).

### **IV. DISCUSSION**

#### **A. Plaintiffs’ breach of contract claim fails as a matter of law**

“To survive summary judgment on a breach of contract claim, Plaintiffs must (1) establish the existence of a contract; (2) show that they performed; (3) show that [Phoenix Fibers] failed to perform; and (4) show that they were damaged.” *Johnson v. Hewlett-Packard Co.*, 809 F. Supp. 2d 1114, 1127 (N.D.

Cal. 2011); *see also Reichert v. Gen. Ins. Co. of Am.*, 68 Cal. 2d 822, 830 (1968).  
 Plaintiffs' breach of contract claim fails for a variety of reasons.

**1. There was no contract between Plaintiffs and Phoenix  
 Fibers**

Whether a contract exists is properly decided on summary judgment if there is no genuine dispute as to the underlying facts. *Local Motion v. Niescher*, 105 F.3d 1278, 1280 (9th Cir. 1997) ("*Local Motion*"). Put another way, "[w]hen the material facts are not in dispute, the existence and interpretation of a contract are questions of law that the court may decide on a motion for summary judgment." *Citadel Grp. v. Wash. Reg'l Med. Ctr.*, 692 F.3d 580, 587 (7th Cir. 2012).

A contract requires mutual consent, which requires that the parties exchange promises that represent legal obligations. *Bleecher v. Conte*, 29 Cal.3d 345, 350 (1981). Mutual consent first requires an offer. *Ladas v. Cal. State Auto. Assn.*, 19 Cal. App. 4th 761, 770 (1993). And, "[u]nder basic contract law an offer must be sufficiently definite, or must call for such definite terms in the acceptance that the performance promised is reasonably certain." *Id.* (internal citations omitted). Indeed, "[i]t is basic contract law that one cannot suppose, believe, suspect, imagine or hope that an offer has been made. An offer must be *intentional*, *definite*, in its terms and communicated; otherwise, no meeting of the minds can occur." *Kingsbury, Inc. v. GE Power Conversion UK, Ltd.*, 78 F. Supp. 3d 611, 619 (E.D. Pa. 2014) (emphasis added). After an offer, there must be acceptance, which "must be expressed or communicated by the offeree to the offeror." *Russell v. Union Oil Co.*, 7 Cal. App. 3d 110, 114 (1970). Importantly, though, "[i]t is essential to a bargain that each party manifest assent with reference to the manifestation of the other." Restatement (Second) of Contracts § 23 (1981). In short, each party must know that they are entering into a legally binding agreement, and intentionally enter into that agreement, for a contract to exist.

1 Here, Plaintiffs allege that Ms. Song, the human resources manager, and no  
 2 one else, at the direction of Ms. Kim entered into the Alleged Contract on behalf of  
 3 both Plaintiffs. (SUF 28, 36.) But Ms. Song, the person who allegedly entered in  
 4 to the Alleged Contract and only person who talked to anyone at Phoenix Fibers,  
 5 Inc. before the Alleged Contract was supposedly formed, could not recall any oral  
 6 communications in which she entered into the Alleged Contract. (SUF 36, 38, 47-  
 7 48.) No written communications dated prior to the date Ms. Song testified the  
 8 Alleged Contract was formed, November 7, 2011, reflect that there was a definite  
 9 offer and definite acceptance of such offer. (SUF 27.) Therefore, Plaintiffs have  
 10 failed to show that a contract exists, and summary judgment is proper. *Celotex*  
 11 *Corp.*, 477 U.S. at 322–25.

12 Even more problematic for Plaintiffs than their lack of evidence is the  
 13 evidence that affirmatively proves that no contract existed. First, Ms. Song stated  
 14 that she could not recall whether any part of the Alleged Contract was based on her  
 15 own conversations with Phoenix Fibers. (SUF 36, 38, 47-48.) Second, later in her  
 16 deposition, Ms. Song, without prompting, objected to the use of the word  
 17 “agreement” to characterize any of her communications with Phoenix Fibers:

18 Q: Do you recall whether your understanding of the agreement  
 19 between Sweet People and Phoenix Fibers changed in any way after  
 20 the first shipment of goods to Phoenix Fibers?

21 A: No, I don’t - - sorry. I’m a little confused on the word  
 22 “agreement.” It’s - - I just want to say that it’s more of - - that’s what  
 23 the company said they did, not a specific agreement.

I don’t know if that makes a difference in what you’re asking.

24 (SUF 47-48; Deposition of Lisa Song (“Song Depo. (App. Ex. D)”) 62:19-63:5)  
 25 (objections omitted). As it turns out, whether or not there was a specific agreement  
 26 does make a difference. Namely, a party cannot succeed in a claim for breach of  
 27 contract if there was no contract to begin with. *Johnson*, 809 F. Supp. 2d at 1127  
 28 (N.D. Cal. 2011). Moreover, an individual cannot accidentally enter into a contract;

1 an offer and acceptance of that offer must be intentional. *Kingsbury, Inc.*, 78 F.  
 2 Supp. 3d at 619. As concisely explained by the Restatement of Contracts, “[i]t is  
 3 essential to a bargain that each party manifest assent with reference to the  
 4 manifestation of the other.” Here, Ms. Song merely had an understanding of what  
 5 Phoenix Fibers did. (SUF 47-48). And, a significant portion of Ms. Song’s  
 6 “understanding” of what Phoenix Fibers did came from third parties, not Phoenix  
 7 Fibers. (SUF 47-48). As Ms. Song testified at her deposition:

8 Q: What portion of your understanding of what the program [with  
 9 Phoenix Fibers] would entail, if any, came from reviewing the Bonded  
 Logic website?

10 A: The website was integral in looking further into and creating  
 11 the program [with Phoenix Fibers].

12 (SUF 47-48; Song Depo. (App. Ex. D) 46:14-21 (objections omitted)).

13 From this, Ms. Song reported her understanding that “Phoenix Fibers was a  
 14 recycling company,” along with her understanding of how shipments would  
 15 work to Ms. Kim. (SUF 41-42; Rule 30(b)(6) Deposition of Lilly Kim  
 16 (“Rule 30(b)(6) Depo. (Kim) (App. Ex. E)” 18:15-19:3). Finally, Plaintiffs  
 17 began donating items to Phoenix Fibers. (SUF 53-54). But, in her own  
 18 words, Ms. Song never negotiated or agreed to “a specific agreement” with  
 19 Phoenix Fibers, and there was no written agreement. There was simply an  
 20 understanding that Ms. Song had based, at least in part, on a third party  
 21 website. Because Ms. Song did not characterize the parties as having  
 22 entered into an agreement, neither should this Court. Summary judgment on  
 23 Plaintiffs’ contract claim is proper.

24 **2. To the extent a contract exists, destruction was not a term**  
 25 **of the contract**

26 Based on the cases cited above, destruction was not an explicit term of the  
 27 Alleged Contract. Here, Phoenix Fibers’ argument is simple: even if the Alleged  
 28 Contract does exist, because the parties did not agree that Phoenix Fibers was

1 obligated to destroy all items that were donated by Plaintiffs, destruction of  
 2 Plaintiffs' donated items by Phoenix Fibers is not a term of the contract and the  
 3 contract was not breach.

4 Plaintiffs' 30(b)(6) witness, Ms. Kim, testified without proper foundation  
 5 that the destruction requirement was discussed "verbally" (between Ms. Song and  
 6 Ms. Graham) "[a]nd I guess in e-mail correspondence." (SUF 27; Rule 30(b)(6)  
 7 Depo. (Kim) (App. Ex. E) 28:12-29:7). As for the e-mail correspondence,  
 8 Plaintiffs have failed to produce, and cannot show, *any* e-mail where Phoenix  
 9 Fibers explicitly agreed to this destruction requirement, much less an e-mail prior  
 10 to November 7, 2011, the last possible date the Alleged Contract was formed.  
 11 (SUF 27.) With respect to the verbal communications, Ms. Song, the human  
 12 resources manager and apparent negotiator of the Alleged Contract for Plaintiffs,  
 13 does not remember the specific contents of her communications with Phoenix  
 14 Fibers. (SUF 36, 38, 47-48.) As for Ms. Kim, the extent of Ms. Kim's personal  
 15 knowledge of the terms of the Alleged Contract was discussed during her  
 16 deposition:

17 Q. Do you have any personal knowledge of the terms of the offer  
 18 that led to [the Alleged Contract]?

19 A. I've read the e-mails,<sup>2</sup> and I had discussions with Lisa [Song].

20 Q. Please tell me what Lisa Song told you in those conversations  
 in 2011?

21 A. We had discussions. We were looking for a company that  
 22 recycled denim so that we could recycle our products, rather than  
 sending them to the landfill. So we discussed, you know, that  
 23 Phoenix Fibers was a recycling company that was going to do this.

24 We discussed how, you know, pricing would work.  
 And we discussed, you know, basically a little bit of timing of  
 the first shipment.

25 Q. And did you discuss anything else with Lisa Song in 2011  
 26 regarding the events or offer that led to [the Alleged Contract]?

27 A. Not that I can recall.

28 <sup>2</sup> As previously discussed, no e-mail shows that destruction is one of the terms of  
 an "offer."



1 (SUF 41-42; Rule 30(b)(6) Depo. (Kim) (App. Ex. E) 18:4-19:3). And later,  
2 Ms. Kim, in her capacity as corporate designee, testified: “I don’t know if the word  
3 ‘destroyed’ was used in the verbal discussions” between Ms. Song and Mr.  
4 Graham. (SUF 40.) Ms. Kim continued, “I think we believed that during the  
5 recycling process, the items would naturally be destroyed as they were made into  
6 shoddy fiber. So that’s why it’s a little confusing. We just focus on ‘destroyed.’”  
7 (SUF 40; Rule 30(b)(6) Depo. (Kim) (App. Ex. E) 27:20-28:5). However, Ms.  
8 Kim admits that the basis for her belief that the parties verbally agreed to the  
9 destruction term was her conversation with Ms. Song, which is set forth above—a  
10 conversation where recycling, not destruction, was mentioned and to which Ms.  
11 Kim was not a party. (SUF 40-42) In summary, Plaintiffs allege: “So we had an  
12 overall arrangement [the Alleged Contract], as we discussed, for them to *recycle*  
13 the [donated] products.” (SUF 40-42; Rule 30(b)(6) Depo. (Kim) (App. Ex. E)  
14 26:3-4) (emphasis added). Therefore, the basis for Plaintiffs’ belief that items they  
15 donated would be destroyed was purportedly because the Alleged Agreement  
16 required Phoenix Fibers to “recycle” the donated items. In essence, Plaintiffs  
17 equate “recycle” and “destroy.” But, the word “destroy,” or any iteration thereof,  
18 was not explicitly used in the Alleged Contract, or even in the alleged negotiations  
19 leading up to the execution of the Alleged Contract; at most, the term “recycle”  
20 was used.

21 Thus, Phoenix Fibers did not have any obligation to destroy all items  
22 donated by Plaintiffs, as no such term was ever used in alleged negotiations or  
23 offers. *Russell*, 7 Cal. App. 3d at 114 (contract terms must be expressly  
24 communicated and accepted). Because such a term did not exist in the Alleged  
25 Contract, Phoenix Fibers’ selling of items donated by Plaintiffs to U.S. General  
26 could not have breached this term. Plaintiffs will likely double down on their  
27 contention that they believed “recycle” and “destroy” are synonymous in the  
28 clothing and textile recycling industry, meaning that an agreement to recycle is an

1 agreement to destroy. To the extent Plaintiffs believed the two terms are  
 2 synonymous, as discussed immediately below, the Alleged Contract is invalid and  
 3 void due to a lack of a meeting of the minds on a key term and mistake.

### 4 **3. To the extent a contract exists, it is invalid and void**

5 Whether an agreement is “a *valid* enforceable contract is a matter of law,  
 6 and therefore it was proper for the court to determine this issue on summary  
 7 judgment.” *Local Motion*, 105 F.3d at 1280. Indeed, “[w]here a contract is so  
 8 uncertain and indefinite that the intention of the parties in material particulars  
 9 cannot be ascertained, the contract is void and unenforceable.” *Ladas v. Cal. State*  
 10 *Auto. Assn.*, 19 Cal. App. 4th 761, 770 (1993). Further, “[t]he presence of an  
 11 ambiguous material term may indicate that no meeting of the minds occurred when  
 12 the document was signed.” *Id.*; Restatement (Second) of Contracts § 20 (1981)  
 13 (“There is no manifestation of mutual assent to an exchange if the parties attach  
 14 materially different meanings to their manifestations and . . . neither party knows  
 15 or has reason to know the meaning attached by the other . . . .”) Thus, where a  
 16 contract term is uncertain such that the intention of the parties cannot be  
 17 ascertained, or where the parties to a contract attach a different meaning to a  
 18 material term, then the contract is void and summary judgment is proper. *See, e.g.*,  
 19 *Local Motion*, 105 F.3d at 1278.

20 For instance, in *Local Motion*, the Ninth Circuit affirmed a district court’s  
 21 granting of summary judgment on the basis of mutual mistake. *Id.* There, the  
 22 parties entered into a distribution agreement that included that following term: if  
 23 the buyer purchases a certain dollar value of merchandise, she “[would] be granted  
 24 the option to extend her distribution rights to three more years *at the same terms.*”  
 25 *Id.* at 1279. The district court found that the parties attached a different meaning to  
 26 the phrase “at the same terms.” *Id.* The buyer “understood the renewal  
 27 arrangement to apply indefinitely for as long as she satisfied the volume  
 28 requirements,” while the seller “viewed the phrase as referring to a one-time only

three-year extension.” *Id.* The district court granted summary judgment for the seller, as it “concluded that because both interpretations were reasonable, and because neither party had reason to know the meaning the other side attached to the phrase until after the document was executed, the contract was entered into on the basis of mutual mistake.” *Id.* On appeal, the buyer argued “that evidence of differing understandings created a triable issue of fact.” *Id.* at 1280. But, as the Ninth Circuit pointed out “[t]he issue before the district court was not how an existing agreement should be interpreted, but whether a material difference of understanding had prevented the manifestation of mutual assent necessary to create a contract at all.” *Id.* Therefore, if there are two reasonable interpretations to a term of a contract, each held by a different party, then the contract is void for mutual mistake and summary judgment is proper. *See id.*

Here, as established above, to the extent the Alleged Contract exists, it never explicitly contained a destruction requirement. (SUF 40-42). Thus, at most, the Alleged Contract required Phoenix Fibers to “recycle” the items that Plaintiffs donated.

Plaintiffs assert that they believed the word “recycle” is synonymous with the word “destroy.” (SUF 46). As Plaintiffs’ 30(b)(6) witness testified, “we believed that during the recycling process, the items would naturally be destroyed.” (SUF 40-42,46; Rule 30(b)(6) Depo. (Kim) (App. Ex. E) 27:20-28:4).

However, “recycle” is a term of art used in the clothing and textile recycling industry. (SUF 2-4). It simply means “to reuse.” (SUF 2-4). Indeed, national stores selling second-hand clothes, like Buffalo Exchange, say that they are in the business of recycling. (SUF 3; App. Ex. K). As one research article in the *Clothing & Textiles Research Journal* found, forty-eight percent of the clothing and textile *recycling market* is comprised of the *used clothing market*. (SUF 3; App. Ex. M). Therefore, as the term is used in the clothing and textile recycling industry, “recycle” can, and does, refer to selling used, second-hand, or second-



1 quality clothing or otherwise reselling clothing. (SUF 2-4). This broader meaning  
 2 of the word “recycle” is the meaning that Phoenix Fibers does, and has always,  
 3 attributed to it. (SUF 2-5).

4 Phoenix Fibers asserts that recycling can include, but does not require,  
 5 destruction. Moreover, Phoenix Fibers believes that this Court should adopt  
 6 Phoenix Fibers’ interpretation of the word “recycle.” *See* Cal. Civ. Code § 1645  
 7 (“[t]echnical words are to be interpreted as usually understood by persons in the  
 8 profession or business to which they relate, unless clearly used in a different  
 9 sense.”) If this Court adopts Phoenix Fibers’ interpretation of the word “recycle,”  
 10 then, to the extent the Alleged Contract exists, Phoenix Fibers fulfilled its  
 11 obligation to Plaintiffs by selling the donated items to U.S. General.

12 However, if this Court does not adopt Phoenix Fibers’ interpretation of the  
 13 word “recycle,” this Court must recognize, at the very least, that “both  
 14 interpretations [of ‘recycle’ are] reasonable.” *Local Motion*, 105 F.3d at 1279.  
 15 Indeed, Phoenix Fibers’ interpreting the word “recycle” consistent with the  
 16 industry standard, and the industry in which the purported Alleged Contract  
 17 related, cannot be unreasonable. And, if this Court finds that both Plaintiffs’ and  
 18 Phoenix Fibers’ interpretation of the word “recycle” are reasonable, then, as in  
 19 *Local Motion*, this Court should grant summary judgment for Phoenix Fibers on  
 20 the breach of contract claim, as there was no meeting of the minds.

21 **4. To the extent the Alleged Contract exists, RCRV is not a**  
 22 **party**

23 “For a plaintiff to bring a breach of contract action against a defendant, the  
 24 plaintiff and defendant must have a contractual relationship.” *Brown v. Kinross*  
 25 *Gold U.S.A., Inc.*, 531 F. Supp. 2d 1234, 1240 (D. Nev. 2008). Indeed, it is  
 26 axiomatic that non-parties have no rights or duties under a contract. *Herbal Care*  
 27 *Sys., Inc. v. Plaza*, 2009 WL 692338, at \*2 (D. Ariz. Mar. 17, 2009).

1 Here, Ms. Song was not an employee for RCRV. (SUF 21.) During all  
 2 communications she had with Phoenix Fibers, she never represented herself to be  
 3 an agent or an employee of RCRV. (SUF 23.) When she communicated with  
 4 Phoenix Fibers via e-mail, her signature block only ever said Sweet People. (SUF  
 5 21-23.) Moreover, Plaintiffs cannot prove that she ever represented to Phoenix  
 6 Fibers that she was negotiating the Alleged Contract on behalf of RCRV. As such,  
 7 RCRV is not a party to the Alleged Contract, to the extent it exists, and cannot  
 8 enforce any rights under it. Thus, Phoenix Fibers requests that this Court grant  
 9 summary judgment against RCRV.

10 **B. Plaintiffs' second through sixth claims fail because there was no**  
 11 **likelihood of confusion and because the first sale doctrine applies**

12 In their Second through Sixth claims, Plaintiffs plead trademark  
 13 infringement (15 U.S.C § 1114), false designation of origin (15 U.S.C. § 1125(a)),  
 14 unfair competition (Bus. & Prof. Code § 17200), dilution (Bus. & Prof. Code §  
 15 14247), and common law trademark infringement and unfair competition. (Dkt.  
 16 32). As described in the subsections below, if Phoenix Fibers' use of Plaintiffs'  
 17 mark was not likely to cause confusion, then the trademark claims fail. In that  
 18 way, California trademark is coterminous with the Lanham Act. *Toho Co., v.*  
 19 *Sears, Roebuck & Co.*, 645 F.2d 788, 791 (9th Cir. 1981). Moreover, the first sale  
 20 doctrine acts as a complete defense to all Plaintiffs' claims, with the exception of  
 21 their Fourth claim for statutory unfair competition. *See Sebastian Int'l, Inc. v.*  
 22 *Longs Drug Stores Corp.*, 53 F.3d 1073, 1074 (9th Cir. 1995); *Ty Inc. v. Perryman*,  
 23 306 F.3d 509, 513 (7th Cir. 2002).

24 As to Plaintiffs' fourth claim for violation of Section 17200 of the California  
 25 Business and Profession Code, Plaintiffs' unfair competition claims are tied to the  
 26 other causes of action asserted in their Complaint. (Dkt. 32) ("Defendants'  
 27 aforesaid acts constitute unlawful, unfair, or fraudulent acts of unfair competition  
 28 in violation of California Business & Professions Code §§ 17200 et seq."). As a

1 result, Plaintiffs' unfair competition claim rises and falls with the other claims. *See*  
 2 *Gutierrez v. Kaiser Found. Hosps., Inc.*, No. C 11-3428 CW, 2012 U.S. Dist.  
 3 LEXIS 155462, at \*31 (N.D. Cal. Oct. 30, 2012) ("Because Defendants are entitled  
 4 to summary judgment on all of Plaintiff's other claims, they are also entitled to  
 5 summary judgment on Defendants' UCL claim."); *cf. In re Apple iPod iTunes*  
 6 *Antitrust Litig.*, 796 F. Supp. 2d 1137, 1147 (N.D. Cal. 2011) ("[I]f the same  
 7 conduct is alleged to be both an antitrust violation and an 'unfair' business act or  
 8 practice for the same reason, then the determination that the conduct is not an  
 9 unreasonable restraint of trade necessarily implies that the conduct is not 'unfair'  
 10 toward consumers.) (citations omitted) (internal quotations omitted). If this Court  
 11 finds that summary judgment is appropriate on the other claims, then summary  
 12 judgment is proper on Plaintiffs' unfair competition claim.

13 **1. Phoenix Fibers cannot be held liable for trademark**  
 14 **infringement because there was no likelihood of confusion**

15 To prevail on a claim for trademark infringement, it is essential for a  
 16 plaintiff to prove that the defendant's use of a mark creates a likelihood of  
 17 confusion. *Rearden LLC v. Rearden Commerce, Inc.*, 683 F.3d 1190, 1199 (9th  
 18 Cir. 2012) ("*Rearden*"). Likelihood of confusion is not only a necessary element  
 19 in proving trademark infringement under the Lanham Act, it is also a requirement  
 20 in asserting a trademark infringement claim under California Common Law. *Wood*  
 21 *v. Apodaca*, 375 F. Supp. 2d 942, 947 (N.D. Cal. 2005); *see also Toho Co.*, 645  
 22 F.2d at 791 ("Without likelihood of confusion there is no infringement under the  
 23 California common law of trademarks.")

24 "The 'likelihood of confusion' inquiry generally considers whether a  
 25 reasonably prudent consumer in the marketplace is likely to be confused as to the  
 26 origin or source of the goods or services bearing one of the marks or names at issue  
 27 in the case." *Rearden*, 683 F.3d at 1209. And, "a plaintiff must show more than  
 28 simply a possibility of such confusion." *Id.* Indeed, the Ninth Circuit has

1 enumerated eight factors to consider in determining likelihood of confusion: (1)  
 2 strength of the mark; (2) proximity of the goods; (3) similarity of the marks; (4)  
 3 evidence of actual confusion; (5) marketing channels used; (6) type of goods and  
 4 the degree of care likely to be exercised by the purchaser; (7) defendant's intent in  
 5 selecting the mark; and (8) likelihood of expansion of the product lines. *AMF, Inc.*  
 6 *v. Sleekcraft Boats*, 599 F.2d 341, 348 (9th Cir. 1979). However, these factors are  
 7 "not a rote checklist" and should be weighted appropriately based on the facts of  
 8 the case. *Rearden*, 683 F.3d at 1209; *see also Fortune Dynamic, Inc. v. Victoria's*  
 9 *Secret Stores Brand Mgmt., Inc.*, 618 F.3d 1025, 1030 (9th Cir. 2010) ("This eight-  
 10 factor analysis is 'pliant,' illustrative rather than exhaustive, and best understood  
 11 as simply providing helpful guideposts."); *Dreamwerks Prod. Grp., Inc. v. SKG*  
 12 *Studio*, 142 F.3d 1127, 1129 (9th Cir. 1998) ("The factors should not be rigidly  
 13 weighed; we do not count beans"); *Eclipse Assoc. Ltd. v. Data Gen. Corp.*, 894  
 14 F.2d 1114, 1118 (9th Cir. 1990) ("These tests were not meant to be requirements or  
 15 hoops that a district court need jump through to make the determination.").

16 Despite the aforementioned test, courts have routinely held plaintiffs to a  
 17 heightened standard in certain cases. For example, "confusion is unlikely" when  
 18 the alleged purchaser is sophisticated, where the goods are expensive, or where the  
 19 goods are purchased after a lengthy sales cycle by a knowledgeable consumer.  
 20 *Network Automation, Inc. v. Hewlett-Packard Co.*, No. CV 08-4675-JFW (RZx),  
 21 2009 U.S. Dist. LEXIS 125835, at \*26 (C.D. Cal. Sep. 14, 2009) ("*Network*  
 22 *Automation*"); *Accuride Int'l, Inc. v. Accuride Corp.*, 871 F.2d 1531, 1537 (9th Cir.  
 23 1989) (likelihood of confusion is unlikely where purchasers are highly specialized  
 24 professionals). In *Network Automation*, the Central District granted summary  
 25 judgment for the defendant despite the fact that the plaintiff and defendant used  
 26 identical marks for their computer software. *Id.* In particular, the *Network*  
 27 *Automation* Court concluded that "[g]iven the products' high price, the high degree  
 28

1 of sophistication of the customers, and the lengthy sales cycles, . . . consumers will  
 2 not be confused as to the source of the goods.” *Id.* at \*27.

3 The contextual nature of likelihood of confusion analysis is demonstrated in  
 4 *Motorola, Inc. v. Elec. Lab. Supply Co.*, Civil Action No. 88-2452, 1990 U.S. Dist.  
 5 LEXIS 8225 (E.D. Pa. July 3, 1990) (“*Motorola*”). There, Motorola, the plaintiff,  
 6 contracted with ELSCO to remove and destroy Motorola’s defective  
 7 semiconductor devices. *Id.* at \*2. Instead of destroying Motorola’s defective  
 8 semiconductors, ELSCO sold the semiconductors as scrap material, by the pound,  
 9 to one company in Hong Kong and another in New Jersey. *Id.* at \*9-12. Motorola  
 10 sued for trademark infringement and ELSCO moved for summary judgment on the  
 11 basis that there was no likelihood of confusion. *Id.* at \*3-6. In response to the  
 12 motion for summary judgment, Motorola presented a number of arguments in an  
 13 attempt to demonstrate likelihood of confusion, including (1) the semiconductors  
 14 shipped by ELSCO were in boxes “clearly labeled as Motorola parts” and (2) the  
 15 invoice for the semiconductors was for “TO-92 Mot. transistors.” *Id.* \*9-10.  
 16 Nonetheless, the Court granted summary judgment in favor of ELSCO. *Id.* at \*11-  
 17 12. The *Motorola* Court reasoned that “the fact that [the buyer] was purchasing  
 18 such a large quantity by the pound instead of by the item strongly suggests that  
 19 [the buyer] knew that he was purchasing Motorola scrap material as opposed to  
 20 first-rate material.” *Id.* at \*10 (emphasis added). In short, there was no genuine  
 21 dispute of material fact that “the Motorola scrap material in the present case was  
 22 sold as scrap material and not first-rate Motorola semiconductor devices,” meaning  
 23 that summary judgment was proper. *Id.* at \*9.

24 *Motorola* is factually similar to this case. Here, it is alleged that Phoenix  
 25 Fibers sold denim donated by Plaintiffs to U.S. General. Importantly, U.S. General  
 26 is a clothing recycling company. (SUP 57.) U.S. General’s representative, Kamel  
 27 Mroueh, would call Steven Johnson, a Phoenix Fibers’ employee, whenever U.S.  
 28 General wanted to purchase credential material from Phoenix Fibers. (SUP 60.)



1 Then, Mr. Mroueh would physically come to Phoenix Fibers' warehouse and  
2 choose what credential he wanted to purchase from Phoenix Fibers. (SUP 61).  
3 The credential that Mr. Mroueh would purchase came in large "bins" or "boxes."  
4 (SUP 61). And, Mr. Mroueh would purchase the credential by the pound, and  
5 would pay "a credential price." (SUP 62). Phoenix Fibers never charged a higher  
6 price for Miss Me or Rock Revival denim; it was always sold at a standard  
7 credential price. (SUP 62).

8       Given the facts of this case, Phoenix Fibers' selling of the denim donated by  
9 Plaintiffs to U.S. General did not cause U.S. General to be confused. (SUP 63-64.)  
10 First, U.S. General does not deal in first-rate clothing; it only deals in used and  
11 second-hand clothing. (SUP 57). Thus, U.S. General was never under the  
12 impression it was purchasing genuine, first-rate denim from Phoenix Fibers.  
13 Second, U.S. General "was purchasing such a large quantity [of denim] by the  
14 pound instead of by the item." *Motorola* at \*10; (SUP 61-62). This "strongly  
15 suggests" that U.S. General knew the items it was purchasing from Phoenix Fibers  
16 were not first-rate material; in fact, no other inference is possible given these facts.  
17 *Id.* Moreover, U.S. General always paid a credential price, often between 30¢ and  
18 60¢ per pound. (SUP 61-62). These factors strongly indicate that U.S. General  
19 was never confused as to the source of the material it was buying. In the words of  
20 Sweet People's General Counsel and 30(b)(6) witness, Ms. Kim, "everyone knew  
21 what they were buying." (SUP 63-64; Rule 30(b)(6) Depo. (Kim) (App. Ex. E)  
22 199:2-12). There was no confusion and therefore there is no trademark  
23 infringement. And, Plaintiffs have submitted no evidence of confusion or  
24 likelihood of confusion created by Defendants. Accordingly, like *Motorola*, this  
25 Court should grant Phoenix Fibers' motion for summary judgment with respect to  
26 Plaintiffs' trademark claims.

## 2. Plaintiffs' claims are also barred by the first sale doctrine

In general, a trademark owner has exclusive control over the sale of products containing its trademark. However, “[a] trademark owner’s right under the Lanham Act to control distribution of its own products is limited by the ‘first sale’ doctrine.” *Enesco Corp. v. Price/Costco Inc.*, 146 F.3d 1083, 1085 (9th Cir. 1998) (“*Costco*”); *see also Sebastian Int’l, Inc.*, 53 F.3d at 1074 (9th Cir. 1995). This doctrine is also applied to antidilution statutes (*see, e.g., Ty Inc. v. Perryman*, 306 F.3d 509, 513 (7th Cir. 2002)) and, therefore applies to Plaintiffs’ claim under Business & Professions Code Section 14247. Under the First Sale Doctrine doctrine, resale of the “original article under the producer’s trademark is generally neither trademark infringement nor unfair competition.” *Id.* The reasoning behind the first sale doctrine is clear: a consumer is not confused or deceived about the origin of a product if the product originated with the owner of the mark. *Id.* For this reason, “[a]pplication of the ‘first sale’ doctrine has generally focused on the likelihood of confusion among consumers.” *Au-Tomotive Gold, Inc. v. Volkswagen of Am., Inc.*, 603 F.3d 1133, 1136 (9th Cir. 2010). Therefore, a rightful owner of goods bearing another’s trademark can resell those goods without fear of committing trademark infringement. *Sebastian Int’l, Inc.*, 53 F.3d at 1074.

One exception to the first sale doctrine that Plaintiffs are likely to raise is the “quality control exception.” *Costco*, 146 F.3d at 1087. Under the quality control theory, the first sale doctrine does not apply where the product being distributed does not meet the trademark holder’s quality control standards. *Id.*; *Warner-Lambert Co. v. Northside Dev. Corp.*, 86 F.3d 3, 6 (2d Cir. 1996). However, as with many exceptions, there is an exception to the quality control exception. *Id.* This was explained in *Costco*. There, Costco began selling porcelain figurines bearing a trademark owned by the plaintiff, Enesco. *Id.* at 1084. However, instead of selling the figurines in their original packaging, Costco repackaged them in a material that “allegedly [did] not provide adequate protection from damage.” *Id.* at

1 1085. The *Costco* Court found that “[i]f the public were adequately informed that  
2 []Costco repackaged the figurines and the figurines were subsequently chipped, *the*  
3 *public would not likely be confused as to the cause of the chipping.*” *Id.* at 1087.  
4 Thus, so long as the public is not deceived into believing that a trademark holder  
5 caused damage to the goods or approved of the damaged goods, the quality control  
6 exception does not apply. *Id.*

7 Here, Phoenix Fibers is protected by the first sale doctrine. As a preliminary  
8 matter, the crux of Plaintiffs’ Complaint is that Phoenix Fibers sold units of denim  
9 and apparel bearing Plaintiffs’ Miss Me and Rock Revival trademarks that  
10 Plaintiffs had donated to Phoenix Fibers. (SUP 53-54; Dkt. 32). Therefore, the  
11 first sale doctrine applies because *the origin of the goods sold by Phoenix Fibers*  
12 *was Plaintiffs.* Of course, Plaintiffs are going to argue that the quality control  
13 exception applies. Not so. As explained above, there is no risk of confusion  
14 because, just as in *Costco*, the buyer (U.S. General) knew that the product it was  
15 purchasing was not first-rate Miss Me and Rock Revival jeans. (SUP 55.) And,  
16 because the application of the first sale doctrine focuses on likelihood of confusion,  
17 a lack of confusion is indicative of the fact that Phoenix Fibers is protected by the  
18 first sale doctrine. *Au-Tomotive Gold, Inc.*, 603 F.3d at 1136. Moreover, defective  
19 or damaged Miss Me and Rock Revival jeans are marked as such. (SUP 55.)  
20 Thus, to the extent U.S. General was purchasing jeans marked as defective, the  
21 quality control exception of the first sale doctrine does not apply because U.S.  
22 General was aware it was purchasing jeans that did not pass Plaintiffs’ quality  
23 control measures. On the other hand, jeans that did not contain the “Defective”  
24 stamp presumably passed any quality control measures Plaintiffs had put into  
25 place. For such products, the first sale doctrine certainly applies as they are  
26 genuine goods originating from Plaintiffs. *Sebastian Int’l, Inc.*, 53 F.3d at 1074.  
27 For these reasons, the first sale doctrine shields Phoenix Fibers from liability for  
28 trademark infringement, and summary judgment is proper.



**C. Phoenix Fibers cannot be held jointly and severally liable for the disgorgement of other defendants' profits**

Plaintiffs have asserted that they intend to seek to hold Phoenix Fibers jointly and severally liable for the profits of other defendants. But the law on disgorgement of profits is clear that joint and several liability is only appropriate when individuals have a very close relationship such as co-partners. *See Sammons v. Colonial Press, Inc.*, 126 F.2d 341, 346 (1st Cir. 1942) (“co-infringers, unless they are partners, are severally accountable only for the profits each has received”); *MCA, Inc. v. Wilson*, 677 F.2d 180, 186 (2d Cir. 1981) (“Insofar as there is liability for illegal profit, the liability is several; one defendant is not liable for the profit made by another”); *KTS Karaoke, Inc. v. Sony/ATV Music Publ'g LLC*, No. CV-12-00014-MWF (JEMx), 2014 U.S. Dist. LEXIS 190492, at \*15 (C.D. Cal. Jan. 14, 2014); *SEC v. JT Wallenbrock & Assocs.*, 440 F.3d 1109, 1117 (9th Cir. 2006); *SEC v. Wilde*, 2012 U.S. Dist. LEXIS 183252, \*12 (C.D. Cal. Dec. 17, 2012). Plaintiffs cannot prove, nor have they even alleged, that Phoenix Fibers conspired with other defendants and certainly not to such an extent as to be co-partners with them. (SUP 70.) As a result, Phoenix Fibers is not jointly and severally liable for disgorgement of other defendants' profits; only its own, subject to proof of liability and willfulness which Plaintiffs cannot prove.

**D. Punitive damages are improper**

Plaintiffs' Complaint requests “punitive damages as provided under the common law of the State of California.” (Dkt 32.) The claim for punitive damages only appears in Plaintiffs' sixth cause of action for common law trademark infringement and unfair competition. (Dkt 32.) “Although under some circumstances, punitive damages may be recoverable under a California common law claim, in California common law unfair competition claims are limited to cases in which a party passes off their goods as another.” *Groupon, LLC v. Groupon, Inc.*, 859 F. Supp. 2d 1067, 1083 (N.D. Cal. 2012). Phoenix Fibers did not pass off

1 any of its own goods as being those of Plaintiffs. In fact, Phoenix Fibers does not  
2 even have any of its own goods to pass off. (SUP 5.)

3 To the extent Phoenix Fibers did infringe Plaintiffs trademarks, Plaintiffs  
4 cannot prove that such infringement was willful, a necessary element for punitive  
5 damages. *See Lindy Pen Co. v. Bic Pen Corp.*, 982 F.2d 1400, 1405 (9th Circ.  
6 1993); *Binder v. Disability Grp., Inc.*, 772 F.Supp. 2d. 1172, 1183 (C.D. Cal.  
7 2011). At worst, Phoenix Fibers acted in good faith and under the mistaken belief  
8 that “recycle” included reselling. Thus, Plaintiffs have no claim to punitive  
9 damages and their request for such damages fails as a matter of law.

10 **V. CONCLUSION**

11 For the foregoing reasons, Phoenix Fibers respectfully requests that the  
12 Court grant this Motion for Summary Judgment or, in the alternative, Partial  
13 Summary Judgment.

14  
15 DATED: December 30, 2016

HAYNES AND BOONE, LLP

16  
17 By: /s/ Kenneth G. Parker

18 Kenneth G. Parker  
19 Attorneys for Defendant  
20 Phoenix Fibers, Inc.  
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**CERTIFICATE OF SERVICE**

I, the undersigned, declare that I am over the age of 18 years and not a party to the within action. I am employed in the County of Orange, State of California, within which county the subject service occurred. My business address is 600 Anton Boulevard, Suite 700, Costa Mesa, California 92626.

On December 30, 2016, I served the following document described as: **DEFENDANT PHOENIX FIBERS, INC.'S NOTICE OF MOTION AND MOTION FOR SUMMARY JUDGMENT OR, IN THE ALTERNATIVE, PARTIAL SUMMARY JUDGMENT; MEMORANDUM IN SUPPORT THEREOF** on the interested parties in this action in the manner identified below:

**[XXX] BY ELECTRONIC FILING.** I caused such document(s) to be electronically filed and served through the United States District Court's CM/ECF System for the within action. This service complies with the Federal Rules of Civil Procedure. The file transmission was reported as complete and a copy of the Court's Notice of Electronic Filing will be maintained with the original document(s) in our office. Participants in the case who are registered CM/ECF users will be served by the District CM/ECF System.

I declare that I am employed in the offices of a member of the bar of this Court at whose direction this service was made, and that this service complies with the Federal Rules of Civil Procedure.

Executed on December 30, 2016, at Costa Mesa, California.

/s/ Breean Cordova  
Breean Cordova